

Provisions of Income Tax Plan

March 2, 2011

Tax Rate/Fund

- Fix tax rate at 4.25%
- Create Tax and Fee Reform Reserve Fund to capture revenue from future scheduled rate reductions in order to provide long-term tax and fee relief where most needed

Exemptions

- Personal exemption at \$3,700 as under current law and will be indexed beginning in 2013
- Phase out exemption for “total household resources” over \$75,000 single/\$150,000 joint
- Repeal special exemptions for seniors and for unemployment compensation greater than 50% of AGI
- Special exemption for disabled and exemption for disabled veterans remain unchanged
- Repeal \$600 child deduction

Deductions/Subtractions

- Repeal income tax deductions for pensions except military pensions
- Repeal deduction for investment income for certain taxpayers aged 65 and older
- Repeal deduction for reinvestment of gain from strategic fund investments
- Repeal certain miscellaneous deductions (political donations; prizes won in state-regulated bingo, raffle, or charity games; charitable gifts from retirement plans)
- Eliminate deduction for expenses associated with non-taxable income (often referred to as the oil and gas double deduction)
- Repeal Renaissance Zone deduction

Non-refundable Credits

- Repeal credit for city income taxes
- Repeal credit for public contributions
- Repeal credit for contributions to homeless shelters, food banks, and community foundations
- Repeal credit for contributions to medical savings account
- Repeal credit for donation to Family Development Program
- Repeal film credit for wage withholding
- Repeal credit for automobile donation
- Repeal credit for tuition and fees
- End credits for historic rehabilitation plans certified after 2011

Refundable Credits

- Reduce phase-out for homestead property tax credit
- Change calculation of property tax credit for senior and general credits to equal 80% of the difference between taxes and non-refundable percentage of household income
- No change in calculation of credit for the disabled or for veterans
- Repeal earned income tax credit
- End credits for farmland preservation agreements entered into after 2011

- Repeal credit for excess adoption expenses
- Repeal credit for stillbirths

Miscellaneous

- Adopt 100% sales factor apportionment
- Repeal obsolete provisions
- End tax voucher program for Early Stage Venture Investment agreements entered into after 2011
- Effective date 1/1/12